

Message Text

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ACTION EA-06

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C O N F I D E N T I A L HONG KONG 2203

STADIS////////// / //////////

LIMDIS

COMMERCIALLY SENSITIVE

E.O. 11652: GDS

TAGS: EFIN, EEWT, ESTC, CH, US

SUBJ: PRC SAYS ITS POSITION ON ASSETS/CLAIMS ISSUE IS

UNALTERABLE

1. SUMMARY. FOR THE FIRST TIME TO OUR KNOWLEDGE PRC OFFICIALS HAVE GONE TO THE POINT OF TELLING A VISITING AMERICAN BUSINESSMAN THAT THEIR POSITION ON THE FROZEN ASSETS:CLAIMS ISSUE IS UNALTERABLE AND THAT THEY ARE NOT INTERESTED IN FURTHER NEGOTIATIONS THAT SEEK TO CHANGE IT. END SUMMARY.

2. ON TWO OCCASIONS DURING HIS VISIT TO PEKING AND SHANGHAI IN LATE JANUARY, A VISITING AMERICAN BUSINESSMAN (A.MA. BLUM OF BLUM INTERNATIONAL) WAS TOLD BY CHINA NATIONAL TEXTILES IMPORT AND EXPORT CORPORATION (CHINATEX) OFFICIALS OF BOTH THE PRC'S EAGENESS FOR MFN AND ITS UTTER UNWILLINGNESS TO CHANGE ITS POSITION ON THE FROZEN ASSETS/CLAIMS ISSUE. ON THE LATTER, THE CHINESE TOLD THE BUSINESSMEN THAT THEY HAD MADE THEIR PSOTIION VERY CLEAR TO THE USG, THAT THEY WERE NOT GOING TO ALTER IT IN ANY WAY, AND THAT THEY WERE NOT INTERESTED IN ANY NEGOTIATIONS THAT MIGHT SEEK TO ALTER THEIR POSITION.

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3. IN A WRINKLE WE HAD NOT PREVIOUSLY HEARD, THE SHANGHAI CHINATEX DEPUTY GENERAL MANAGER SAID THAT THE US CLAIMS SHOULD BE ASSERTED AGAINST THE PREVIOUS GOVERNMENT, NOT AGAINST THE PRC. HE SAID THE CLAIMS AROSE OUT OF ARRANGEMENTS MADE WITH LANDLORDS WHO WERE PART OF THE PREVIOUS REGIME. SINCE THESE LANDLORDS WERE NOT PART OF THE PEOPLE THERE COULD BE NO QUESTION OF THE PEOPLE'S REPUBLIC BEING HELD RESPONSIBLE FOR THE CLAIMS.

4. IN PEKING THE REMAKLS WERE MADE BY A MR. HUANG WHO WAS BLUM'S DAILY COMPANION (EXPORT-INTERPRETER) AND HE SAID WAS IN THE ADMINISTRATIVE DEPARTMENT OF CHINATEX. IN SHANGHAI THE REMARKS, MADE DURING A DINNER GIVEN FOR BLUM, WERE STRONGLY VOICED BY THE DEPUTY GENERAL MANAGER OF THE SHANGHAI BRANCH OF CHINATEX. ON BOTH OCCASIONS THE REMARKS CAME DURING A DISCUSSION, INITIATED BY THE CHINESE, ABOUT THE TRADE BILL AND SINO-US RELATIONS. THE CHINESE ASKED BLUM BOTH ABOUT THE PROVISIONS OF THE TRADE BILL AND ABOUT WHAT, IN HIS VIEW, THE OBSTACLES WERE TO THE PRC'S OBTAINING MFN TREATMENT. IN THE COURSE OF REPLYING, BLUM SPOKE OF TRADEMARKS AND THE RESOLUTION OF COMMERCIAL DISPUTES, AND HE NOTED THE REFERENCE TO A TRADE AGREEMENT IN THE TRADE BILL. HE ALSO MENTIONED THE ASSETS/CLAIMS PROBLEM PROMINENTLY AMONG THE MATTERS THAT WOULD APPARENTLY NEED TO BE RESOLVED BEFORE THE PRC COULD GET MFN TREATMENT. IT WAS THE LATTER THAT TRIGGERED THE STRONG STATEMENTS OF THE PRC POSITION MENTIONED ABOVE.

5. THE DEPUTY GENERAL MANAGER IN SHANGHAI WAS PARTICULARLY POLITICAL AT THE DINNER. NOTING THAT BLUM INTERNATIONAL HAD AN OFFICE IN TAIPEI, HE DEMANDED THAT TAIWAN BE RETURNED TO THE PRC AND VIRTUALLY TOLD DLUM THAT HE WOULD HAVE TO CLOSE HIS TAIPEI OFFICE IN ORDER TO DO BUSINESS WITH THE RPC. BLUM RESPONDED THAT THE QUESTION OF TAIWAN WAS FOR GOVERNMENTS, NOT FOR BUSINESSMEN LIKE HIMSELF, TO RESOLVE. AS FOR HIS OFFICE IN TAIPEI, HE SAID HE WOULD BE WILLING TO CLOSE IT WHEN HE COULD OPEN UP ONE IN SHANGHAI, BUT UNTIL THEN HE INTENDED TO KEEP AN OFFICE IN TAIPEI. THEN HE ASKED WHEN HE COULD SET UP AN OFFICE IN SHANGHAI. THUS CONFRONTED, THE DEPUTY GENERAL MANAGER SAID THE TIME WAS NOT RIPE FOR THAT

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YET, AND HE DROPPED SUBJECT.

6. COMMENT: THIS IS THE FIRST TIME TO OUR KNOWLEDGE THAT CHINESE OFFICIALS HAVE STATED THEIR COUNTRY'S POSITION ON THE ASSETS/CLAIMS QUESTION SO FLATLY TO A VISITING U.S. BUSINESSMAN. FROM OUR VANTAGE POINT IT LOOKS AS THOUGH THE CHINESE ARE TRYING TO MAKE IT APPEAR THAT THE ONLY WAY TO FIND A SOLUTION TO ASSETS/CLAIMS QUESTION IS FOR THE

USG TO CHANGE ITS POSITION TO ACCOMMODATE THE PRC. THE PRC IS PROBABLY TRYING TO FORESTALL ANOTHER USG APPROACH ON THE ASSETS/CLAIMS PROBLEM, AND IT SEEMS TO BE TRYING TO GENERATE SUPPORT AMONG BUSINESSMEN TO BOLSTER ITS NEGOTIATING POSITION.

7. BLUM'S REMARKS ABOUT THIS TAIPEI OFFICE ARE CLEARLY COMMERCIALY SENSITIVE AND SHOULD BE HELD WITHIN THE USG. CROSS

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